

Message Text

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E.O. 11652: N/A

TAGS: EFIS, BBAK, BDIS, PP, US

SUBJECT: PNG COMPLAINTS ABOUT CONDUCT OF STARKIST

1. DEPARTMENT OFFICERS VISITED SEPT 12 BY M.D. WORSLEY, CHIEF RESEARCH OFFICER, PNG DEPARTMENT OF FINANCE. WORSLEY ENGAGED IN INVESTIGATION OF SELECTED NUMBER JOINT VENTURE FIRMS PURSUANT TO PROMISE LAST YEAR DURING 1974 BUDGET PRESENTATION BY FINANCE MINISTER TO REVIEW CONDUCT OF THESE FIRMS, ESPECIALLY THEIR OBSERVANCE OF PNG REGULATIONS. WORSLEY SAID THAT IN CONNECTION 1975 BUDGET PRESENTATION ON SEPT 24, MINFIN WILL ANNOUNCE AN AMNESTY PERIOD, DURING WHICH FIRMS CAN PAY BACK TAXES AND OTHER PENALTIES. AFTER AMNESTY, PENALTIES WILL BE INCREASED, AND OFFENDING FIRMS WILL BE BANNED FOR TEN YEARS, INDIVIDUALS FOR LIFE.

2. ACCORDING TO WORSLEY, STARKIST OPERATION AT RABAU IS ONE OF HALF DOZEN JOINT VENTURES "PICKED AT RANDOM" FOR INVESTIGATION. COMPUTER ANALYSIS OF LAST THREE YEARS FINANCIAL STATEMENTS INDICATES CONSISTENT UNDERSTATEMENT OF EARNINGS, APPARENTLY TO AVOID -25 CORPORATE-EARNINGS TAX.

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TRANSFER PRICING INVOLVES STARKIST PANAMANIAN SUBSIDIARY

WHICH CHARTERS BOATS FROM OKINAWA, AND UNDERSTATEMENT OF SELLING PRICE TO PARENT COMPANY. WORSLEY SAID HE HAS SOUGHT TO DISCUSS CASE WITH STARKIST OFFICERS IN US, BUT HAS NOT RECEIVED COOPERATION.

3. DEPTOFFS AGREED WITH WORSLEY THAT THIS IS MATTER OF CONCERN, GIVEN PNG'S LACK OF EXPERIENCE THIS AREA, PNG DESIRE TO ENCOURAGE FOREIGN INVESTMENT, AND IMPORTANCE THIS COULD HAVE FOR IMAGE OF US INVESTORS. DEPTOFFS EXPRESSED HOPE THAT IF VIOLATIONS IN FACT COMMITTED, STARKIST WILL RESPOND TO AMNESTY ANNOUNCEMENT. KISSINGER

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